

Memo

To: All Assessors
From: State Tax Commission
Date: August 17, 2011
Re: Guidelines for 2012 Assessment of Sawmills and Certain Planing Mills

What was the statutory change?

Senate Bill 55 (2011), signed by the Governor July 13, 2011, amended 137.016, RSMo to include the following language in the definition of agricultural real property:

Agricultural and horticultural property shall also include any sawmill or planing mill defined in the U.S. Department of Labor's Standard Industrial Classification (SIC) Manual under Industry Group 242 with the SIC number 2421.

SIC number 2421 is attached and also can be found at www.osha.gov/oshstats/sicser.html

When does this take effect? In the 2012 tax year.

Can we require the industries to provide documentation from the Department of Labor indicating their SIC classifications and to what portion of the production facility that classification applies? If so what document(s) do we request and should we request them each reassessment year?

From what the State Tax Commission can determine, the classification will not be that easy. The use by federal and state governments of the SIC codes does not require the same exactness that is required in the property tax realm.

The Department of Revenue (DOR) informed us that businesses registering with that agency describe the nature of the operation, and from that the DOR applies an SIC code or codes. The business' activity may qualify as fitting in more than one SIC code. However, because of the DOR's computer system, DOR can only assign one code. So, if the property qualified in codes 2421, 2426 (attached), and 2429 (attached), DOR may assign 2426 code and not the 2421 code. Consequently, even if the sawmill qualifies as agricultural under the property tax statute, the DOR information will not necessarily show the business as SIC 2421. Conversely, the property could all be listed in the SIC 2421, when in reality only a portion should receive the agricultural classification.

The assessor will have to determine if the property qualifies, or a portion of it qualifies for the agricultural classification, based upon nature of wood processing taking place on the property or each portion of the property.

What types of wood product operations should receive this classification? Does this legislation only affect the softwood industry and not any of the hardwood industry?

The short answer is that any cutting of rough logs and kiln drying lumber—regardless if hardwood or softwood—qualifies as an agricultural activity. Additionally, any planing of softwood lumber is now an agricultural activity. Common softwoods are cedar, cypress, fir, pine, and spruce.

Planing of hardwood lumber and making hardwood flooring is a commercial activity as is any assemblage or manufacturing related to the wood industry. Common hardwoods are ash, beech, birch, cherry, cottonwood, elm, gum, hickory, maple, oak, pecan, sycamore, and walnut.

Specific uses qualifying and not qualifying are:

- A. Any property primarily used for the following will be within the SIC 2421 and classified as **agricultural**:
 - 1. Cutting of rough lumber—hardwood or softwood—from logs.
 - 2. Resawing lumber into shorter dimensions (including pallet stock).
 - 3. Planing of softwood lumber, including dimension lumber, flooring and siding.
 - 4. Kiln drying any lumber.
 - 5. Creating fuel wood from waste.
 - 6. Creating chips, shavings, or mulch.
 - 7. Cutting railroad ties or box lumber.
 - 8. Sawing stave stock.
- B. Related property that will not qualify and must be classified as **commercial** is property used for the following:
 - 1. Cutting or planing hardwood dimension (finished). SIC 2426
 - 2. Creating hardwood flooring and wood frames for household furniture. SIC 2426
 - 3. Producing handle, furniture, or ladder rung stock. SIC 2426
 - 4. Creating molding or trim. SIC 2431
 - 5. Manufacturing wood shingles or, barrel staves, sawed or split. SIC 2429
 - 6. Cutting firewood. SIC 2499,
 - 7. Manufacturing pallets. SIC 2448 [*Note that the cutting of pallet stock—boards used to make pallets—is an agricultural activity. The assemblage of the pallets listed here is a commercial activity.*]

To what part of the property does the agricultural classification apply--land, buildings?

This new classification will likely result in many split use parcels. Only the areas, land and buildings, which qualify for the agricultural classification should be classified accordingly. The area and improvements dedicated, say, to assembling pallets, treating ties, or planing hardwood lumber should be classified as commercial.

Obviously, the lines between the two classifications will blur in many operations, and splitting the classification will require the application of the judgment and discretion of the assessor.

Should the office be classified as agricultural, commercial, or a combination thereof when the entire property has a split use as described above?

The office classification could be divided based upon percentage of the use related to the agricultural use as compared to the commercial use. However, if this approach is impractical or impossible to determine

and the assessor deems the office as being an essential and primary part of the agricultural use of some or all of the property, the office may be classified as agricultural.

Should the underlying land of the property qualifying for the agricultural classification be valued based on productive value or market value?

The sawmill activity is an active agricultural use (i.e., not vacant and unused), so the underlying land should be valued based upon its productivity and placed into one of the eight grades.

Is personal property used in the qualifying agricultural sawmill or planing activity assessed as agricultural/farm equipment and assessed at 12% of market value?

Yes. Personal property used in an agricultural activity is assessed at 12% of value.

SIC Code 2421—Qualifying for Agricultural Classification

Industry Group 242: Sawmills And Planing Mills

2421 Sawmills and Planing Mills, General

Establishments primarily engaged in sawing rough lumber and timber from logs and bolts, or resawing cants and flitches into lumber, including box lumber and softwood cut stock; planing mills combined with sawmills; and separately operated planing mills which are engaged primarily in producing surfaced lumber and standard workings or patterns of lumber. This industry includes establishments primarily engaged in sawing lath and railroad ties and in producing tobacco hogshead stock, wood chips, and snow fence lath. Establishments primarily engaged in manufacturing box shooks or boxes are classified in Industry Group 244; those manufacturing Bash, doors, wood molding, window and door frames, and other fabricated millwork are classified in Industry Group 243; and those manufacturing hardwood dimension and flooring are classified in Industry 2426.

- Cants, resawed (lumber)
- Ceiling lumber, dressed
- Chipper mills Custom sawmills
- Cut stock, softwood
- Flitches (veneer stock), made in sawmills
- Flooring (dressed lumber), softwood
- Fuelwood, from mill waste
- Furniture dimension stock, softwood
- Kiln drying of lumber
- Lath, made in sawmills and lathmills
- Lumber stacking or sticking
- Lumber: rough, sawed, or planed
- Planing mills, independent: except millwork
- Resawing lumber into smaller dimensions
- Sawdust and shavings
- Sawmills, except special product mills
- Siding, dressed lumber
- Silo stock, wood: sawed
- Snow fence lath
- Stud mills
- Ties, railroad: sawed
- Tobacco hogshead stock
- Wood chips produced at mill

SIC Code 2426 Commercial Use--NOT Qualifying for Agricultural Classification

Industry Group 242: Sawmills And Planing Mills 2426 Hardwood Dimension and Flooring Mills

Establishments primarily engaged in manufacturing hardwood dimension lumber and workings therefrom; and other hardwood dimension, semi-fabricated or ready for assembly; hardwood flooring; and wood frames for household furniture. Establishments primarily engaged in manufacturing stairwork, molding, and trim are classified in Industry 2431; and those manufacturing textile machinery bobbins, picker sticks, and shuttles are classified in Industry 3552.

- Blanks, wood: for bowling pins, handles, and textile machinery
- Blocks, wood: for bowling pins, handles, and textile machinery
- Bobbin blocks and blanks, wood
- Brush blocks, wood: turned and shaped
- Carvings, furniture: wood
- Chair frames for upholstered furniture, wood
- Chair seats, hardwood
- Dimension, hardwood
- Flooring, hardwood
- Frames for upholstered furniture, wood
- Furniture dimension stock, hardwood
- Furniture squares, hardwood, furniture turnings and carvings, wood
- Gun stocks, wood
- Handle blanks, wood
- Handle stock, sawed or planed
- Lumber, hardwood dimension
- Parquet flooring, hardwood
- Picker stick blanks
- Rounds or rungs, ladder and furniture: hardwood
- Shuttle blocks: hardwood
- Spool blocks and blanks, wood
- Stock, chair: hardwood-turned, shaped, or carved
- Table slides, for extension tables: wood
- Turnings, furniture: wood
- Vehicle stock, hardwood

SIC Code 2429 Commercial Use--NOT Qualifying for Agricultural Classification

Industry Group 242: Sawmills And Planing Mills 2429 Special Product Sawmills, Not Elsewhere Classified

Mills primarily engaged in manufacturing excelsior, wood shingles, and cooperage stock; and in sawing special products, not elsewhere classified.

- Barrel heading and staves, sawed or split
- Cooperage stock mills
- Cooperage stock: staves, heading, and hoops sawed or split
- Excelsior, including pads and wrappers: wood
- Hoops, wood: for tight or slack cooperage-sawed or split
- Sawmills, special product: except lumber and veneer mills
- Shakes (hand split shingles)
- Shingle mills, wood
- Shingles, wood: sawed or hand split
- Wood wool (excelsior)
- Wrappers, excelsior

